



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENAE M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIRER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

BEAVERTON RURAL SCHOOLS BEAVERTON, MICHIGAN

FINANCIAL STATEMENTS JUNE 30, 2008

601 BEECH STREET
POST OFFICE BOX 297
CLARE, MI 48617
989-386-3481
FAX 989-386-3462
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member

TABLE OF
CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3a-3l
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balance	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
Fiduciary Funds:	
Statement of Fiduciary Net Assets	10
Statement of Changes in Fiduciary Net Assets	11
Notes to Financial Statements	12-24
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	25

TABLE OF
CONTENTS

	<u>Page</u>
Other Supplemental Information	
Combining Balance Sheet – Nonmajor Governmental Funds	26
Combining Statement of Revenues, Expenditures and Changes In Fund Balance – Nonmajor Governmental Funds	27
Schedule of Bonded Indebtedness	28-32
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	33-34
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	35-36
Schedule of Findings and Questionable Costs	37 - 39
Schedule of Expenditures of Federal Awards	40
Notes to the Schedule of Expenditures of Federal Awards	41



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENAE M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIRER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

Independent Auditors' Report

September 19, 2008

To the Board of Education
Beaverton Rural Schools
Beaverton, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beaverton Rural Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Beaverton Rural Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Beaverton Rural Schools as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

601 BEECH STREET
POST OFFICE BOX 297
CLARE, MI 48617
989-386-3481
FAX 989-386-3462
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

Board of Education
Beaverton Rural Schools
September 19, 2008
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2008, on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by the U.S. generally accepted accounting principles and Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beaverton Rural Schools' basic financial statements. The combining and individual nonmajor fund financial statements, debt schedules, and schedule of expenditures of federal awards are presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and debt schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Our discussion and analysis of the Beaverton Rural School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

The School District's net assets increased by \$573,877 or 18%. Program revenues accounted for \$2.4 million or 18% of total revenues, and general revenues accounted for \$11.2 million or 82%.

The General Fund reported a positive fund balance in excess of \$440,000.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Beaverton Rural Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund, Debt Service 1996 Issue Fund and the 2007 Capital Project Fund with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net assets and changes in fiduciary net assets, present financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2008 and 2007:

Exhibit A	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 4,300,000	\$ 3,600,000
Capital assets - net of accumulated depreciation	<u>11,300,000</u>	<u>9,400,000</u>
Total assets	<u>15,600,000</u>	<u>13,000,000</u>
Liabilities		
Current liabilities	3,400,000	1,200,000
Long-term liabilities	<u>8,300,000</u>	<u>8,500,000</u>
Total liabilities	<u>11,700,000</u>	<u>9,700,000</u>
Net Assets		
Invested in capital assets - net of related debt	1,800,000	1,300,000
Restricted	1,600,000	1,300,000
Unrestricted	<u>500,000</u>	<u>700,000</u>
Total net assets	<u><u>\$ 3,900,000</u></u>	<u><u>\$ 3,300,000</u></u>

BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

The Table analysis on the previous page focuses on net assets (see Exhibit A). The School District's net assets were \$3,900,000 at June 30, 2008. Capital assets, net of related debt totaling \$1,800,000 compares the original costs, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

The \$500,000 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net assets for the years ended June 30, 2008 and 2007.

	Exhibit B		<u>Governmental Activities</u>	
			<u>2008</u>	<u>2007</u>
Revenue				
Program revenue:				
Charges for services			\$ 400,000	\$ 500,000
Grants and categoricals			1,900,000	1,900,000
General revenue:				
Property taxes			3,500,000	3,400,000
State foundation allowance			7,500,000	7,700,000
Other			200,000	200,000
			<u>13,500,000</u>	<u>13,700,000</u>
Function/Program Expenses				
Instruction			7,700,000	8,000,000
Support services			3,900,000	4,000,000
Food services			500,000	500,000
Athletics			200,000	200,000
Interest on long-term debt			200,000	300,000
Depreciation and amortization (unallocated)			400,000	400,000
			<u>12,900,000</u>	<u>13,400,000</u>
Change in Net Assets			<u>\$ 600,000</u>	<u>\$ 300,000</u>

BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$12.9 million. Certain activities were partially funded from those who benefited from the programs of \$400,000 or by the other governments and organizations that subsidized certain programs with grants and categoricals, \$1.9 million. We paid for the remaining "public benefit" portion of our governmental activities with \$3.5 million in taxes, \$7.5 million in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$600,000. The key reason for the change in net assets was the reduction in the expenses in our unrestricted net assets. The district tried to hold tight and eliminate unneeded expenses.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of \$2.2 million, which is less than last year's total of \$2.4 million. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2008 and 2007.

	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 447,054	\$ 994,424	\$ (547,370)
Special Revenue	161,593	178,827	(17,234)
Debt Service	1,578,392	1,254,380	324,012
Capital Projects	17,189	0	17,189
Total	<u>\$ 2,204,228</u>	<u>\$ 2,427,631</u>	<u>\$ (223,403)</u>

In the General Fund, our principal operating fund, the fund balance decreased from \$990,000 to \$450,000. The decrease is due to:

- Decrease in student enrollment
- Increase insurance and energy costs
- Minor increase in current year foundation allowance

Athletic Activities had a decrease in fund balance of \$5,295. The Food Services decreased by \$11,939 due to higher food and employee costs.

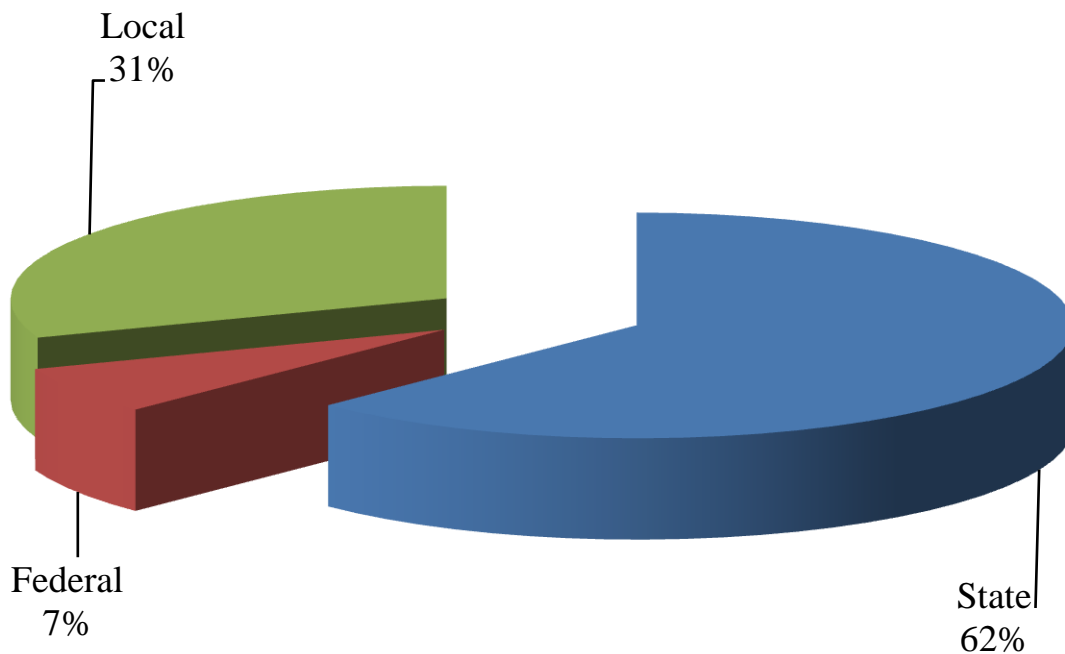
BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Combined, the Debt Service Funds showed a fund balance increase of \$324,012. This is due to funding reserve increases for future debt service. Debt Service funds are reserved since they can only be used to pay debt service obligations.

The Capital Project Fund had a increase in fund balance of \$17,189. This was due to the issuance of the 2007 Energy Bonds.

As the graph below illustrates, the largest portion of the School District's revenue comes from state sources. Sixty four (62%) percent of the School District's revenue comes from state sources.

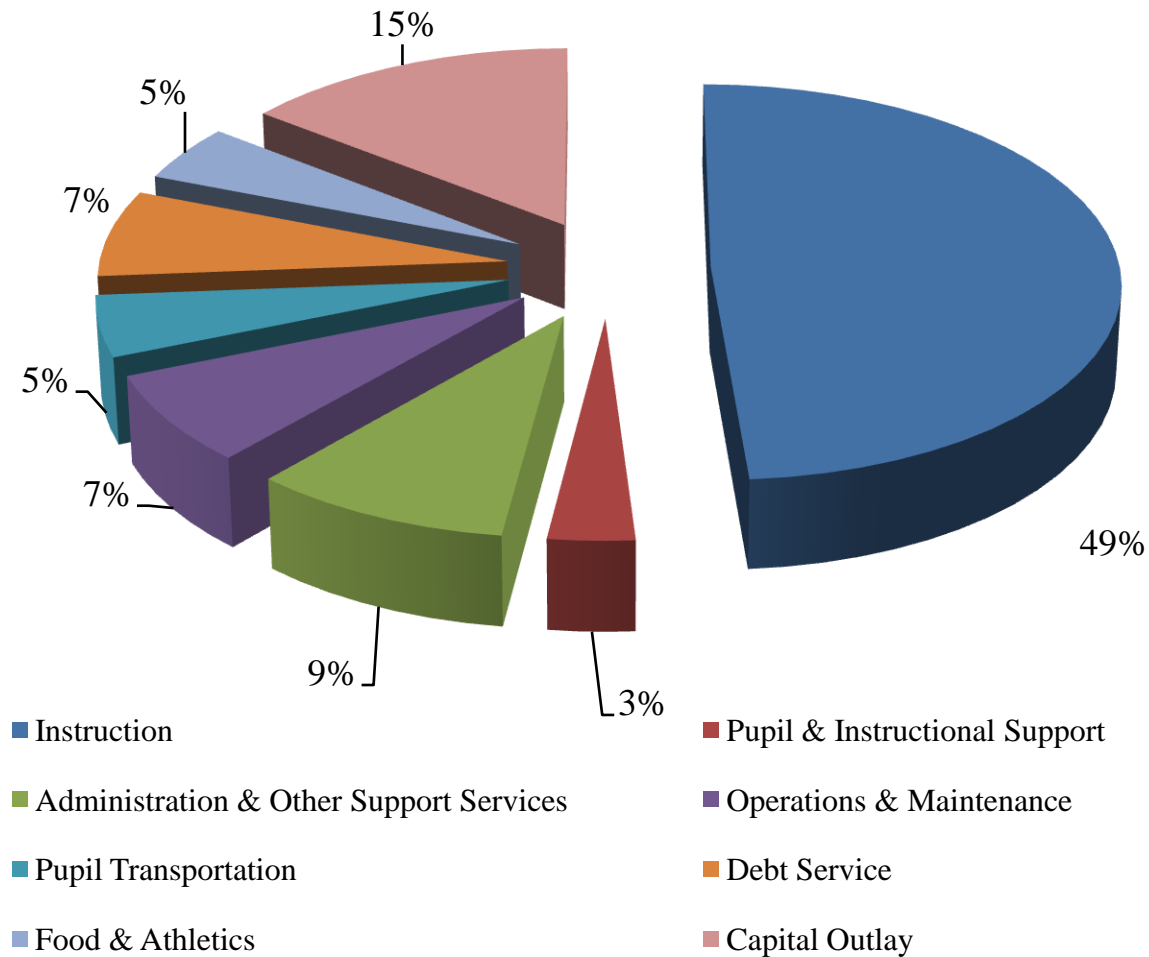
Sources of Revenue



BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

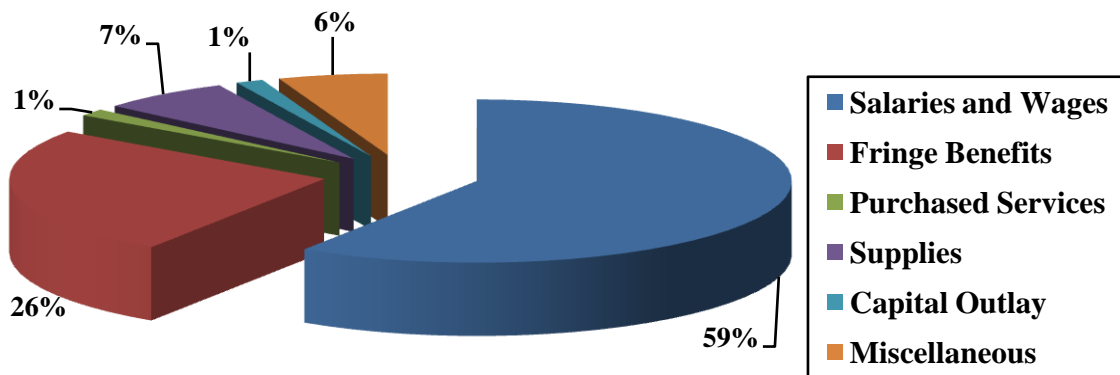
The graph below illustrates 49% of the School District's resources are spent on instruction. Another 9% is spent on administration and other services necessary to support the needs of the students of the School District, while 7% is spent for building operation and maintenance, including utilities and custodial services. The remaining 35% is spent as shown below.

Expenditures



BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

As the graph below illustrates, the largest portions of general fund expenditures (excluding fund transfers) are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2008	2007
<i>Expenditures by Object</i>		
Salaries and wages	\$ 7,173,864	\$ 7,231,913
Fringe benefits	3,120,059	3,204,703
Purchased services	649,287	878,755
Supplies	812,016	893,537
Capital outlay	172,088	110,307
Miscellaneous	103,348	151,170
Total	<u>\$ 12,030,662</u>	<u>\$ 12,470,385</u>

BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues increased from the original budget by \$475,417. This was due to foundation being unknown at the time of developing the budget.
- Budgeted expenditures increased from the original budget by \$883,846. This was due mainly to a freeze on expenditures trying not to spend all line items down to maintain our fund equity.
- Actual revenues were \$141,277 higher than the final budget. This was due to increase in Medicaid money that was received and interest income
- Actual expenditures were \$883,064 lower than the final budget. This was due to the district trying to manage expenditures on all line items to help the bottom line.

Capital Assets

At June 30, 2008, the School District had \$11.3 million invested in a broad range of capital assets, including land, buildings, buses and other vehicles and furniture and equipment. This amount represents a net increase (including additions and disposals) of approximately \$1.9 million or 20% from last year

	2008	2007
Land	\$ 111,616	\$ 111,616
Buildings	15,682,321	13,494,041
Buses and other vehicles	1,491,217	1,373,717
Furniture and equipment	1,022,309	982,096
Total capital assets	18,307,463	15,961,470
Less accumulated depreciation	6,974,244	6,578,360
Net capital assets	\$ 11,333,219	\$ 9,383,110

This year's additions of \$2,345,993 included four buses, building remodeling, a new telephone system and a donated sign.

BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

We anticipate that next year's capital additions will be comparable to the 2007-2008 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$9.3 million in bonds outstanding versus \$7.9 million in the previous year – a increase of 18%. Those bonds consisted of the following:

	<u>2008</u>	<u>2007</u>
2003 General Obligation Refunding Bonds	\$ 6,335,000	\$ 7,105,000
Durant Bonds	118,579	118,579
2002 QZAB Bonds	250,000	250,000
2004 Energy Conservation Bonds	310,000	405,000
2007 Energy Conservation Bonds	<u>2,310,000</u>	<u>0</u>
	<u>\$ 9,323,579</u>	<u>\$ 7,878,579</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt," i.e. debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation is significantly below the statutorily imposed limit.

BEAVERTON RURAL SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operation. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2009 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Requests For Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Beaverton Rural School District
468 S. Ross Street
Beaverton, Michigan 48612

BEAVERTON RURAL SCHOOLS
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 2,534,892
Receivables:	
Accounts receivable	17,034
Due from other governmental units	1,515,184
Inventories	10,575
Bond issuance costs less accumulated amortization	175,287
Capital assets less accumulated depreciation	<u>11,333,219</u>
 Total assets	 <u>15,586,191</u>
 <u>Liabilities</u>	
Accounts payable	27,267
State aid note payable	800,000
Accrued payroll and other liabilities	1,042,160
Accrued interest payable	82,396
Deferred revenue	4,030
Long-term liabilities:	
Due within one year	1,461,796
Due in more than one year	<u>8,303,646</u>
Total liabilities	<u>11,721,295</u>
 <u>Net Assets</u>	
Investment in capital assets - net of related debt	1,819,586
Restricted for debt service	1,578,392
Unrestricted	<u>466,918</u>
 Total net assets	 <u><u>\$ 3,864,896</u></u>

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS
Statement of Activities
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Governmental</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating Grants/</u>	<u>Capital</u>	<u>Activities</u>
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Net (Expense)</u>
					<u>Revenue and</u>
					<u>Changes in Net</u>
					<u>Assets</u>
Primary government -					
Governmental activities:					
Instruction	\$ 7,659,598	\$ 3,309	\$ 1,555,452	\$ 0	\$ (6,100,837)
Support services	3,892,360	135,432	52,894	23,000	(3,681,034)
Community services	14,703	13,658	0	0	(1,045)
Food services	535,245	200,797	322,509	0	(11,939)
Athletics	201,677	49,163	0	0	(152,514)
Interest on long-term debt	250,007	0	0	0	(250,007)
Depreciation (unallocated)	395,884	0	0	0	(395,884)
Amortization (unallocated)	14,160	0	0	0	(14,160)
Total governmental activities	<u>\$12,963,634</u>	<u>\$ 402,359</u>	<u>\$ 1,930,855</u>	<u>\$ 23,000</u>	<u>(10,607,420)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					2,302,046
Property taxes, levied for debt services					1,230,497
State aid not restricted to specific purposes					7,464,318
Interest and investment earnings					109,029
Other					<u>75,407</u>
Total general revenues					<u>11,181,297</u>
Change in net assets					573,877
Net assets - beginning of year					<u>3,291,019</u>
Net assets - end of year					<u>\$ 3,864,896</u>

See accompanying notes to financial statements

BEAVERTON RURAL SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2008

	General	Debt Service 1996 Issue	2007 Capital Projects	Other Nonmajor Governmental Funds	Total
<u>Assets</u>					
Cash and investments	\$ 795,258	\$ 1,338,520	\$ 17,189	\$ 383,925	\$ 2,534,892
Receivables:					
Accounts receivable	17,034	0	0	0	17,034
Due from other funds	0	6,965	0	0	6,965
Due from other governmental units	1,515,184	0	0	0	1,515,184
Inventories	0	0	0	10,575	10,575
Total Assets	<u>\$ 2,327,476</u>	<u>\$ 1,345,485</u>	<u>\$ 17,189</u>	<u>\$ 394,500</u>	<u>\$ 4,084,650</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 27,267	\$ 0	\$ 0	\$ 0	\$ 27,267
State aid note payable	800,000	0	0	0	800,000
Accrued payroll and other liabilities	10,402,160	0	0	0	10,402,160
Deferred revenue	4,030	0	0	0	4,030
Due to other funds	6,965	0	0	0	6,965
Total liabilities	<u>11,240,422</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,240,422</u>
<u>Fund Balance</u>					
Reserved for inventories	0	0	0	10,575	10,575
Reserved for debt service	0	1,345,485	0	232,907	1,578,392
Reserved for capital projects	0	0	17,189	0	17,189
Unreserved:					
Undesignated	447,054	0	0	151,018	598,072
Total fund balance	<u>447,054</u>	<u>1,345,485</u>	<u>17,189</u>	<u>394,500</u>	<u>2,204,228</u>
Total Liabilities and Fund Balance	<u>\$ 11,687,476</u>	<u>\$ 1,345,485</u>	<u>\$ 17,189</u>	<u>\$ 394,500</u>	<u>\$ 13,444,650</u>

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balance - governmental funds	\$ 2,204,228
---	--------------

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds:

Cost of the capital assets	18,307,463
Accumulated depreciation	(6,974,244)
Bond issuance costs	225,075
Accumulated amortization	(49,788)

Long-term liabilities are not due and payable in the current period
and are not reported in the funds:

Bonds payable	(9,323,579)
Mortgage payable	(60,000)
Capital lease	(47,658)
Compensated absences	(208,872)
Early retirement incentives	(125,333)

Accrued interest payable is not included as a liability in
governmental activities

(82,396)

Total net assets - governmental activities	<u><u>\$ 3,864,896</u></u>
--	----------------------------

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	General	Debt Service 1996 Issue	2007 Capital Projects	Other Nonmajor Governmental Funds	Totals
<u>Revenues</u>					
Local sources:					
Property taxes	\$ 2,302,046	\$ 1,230,497	\$ 0	\$ 0	\$ 3,532,543
Other	280,802	61,729	11,748	257,518	611,797
State sources	8,413,920	0	0	31,923	8,445,843
Federal sources	633,743	0	0	290,586	924,329
Total revenues	11,630,511	1,292,226	11,748	580,027	13,514,512
<u>Expenditures</u>					
Current:					
Instruction	7,784,840	0	0	0	7,784,840
Support services	3,945,935	0	0	0	3,945,935
Community services	14,703	0	0	0	14,703
Food services	0	0	0	535,245	535,245
Athletics	0	0	0	201,677	201,677
Capital outlay	0	0	2,304,559	0	2,304,559
Debt service:					
Principal	131,476	770,000	0	0	901,476
Interest and other	21,654	205,772	0	0	227,426
Total expenditures	11,898,608	975,772	2,304,559	736,922	15,915,861
Excess (deficiency) of revenues over expenditures	(268,097)	316,454	(2,292,811)	(156,895)	(2,401,349)
<u>Other Financing Sources (Uses)</u>					
Proceeds from issuance of debt	0	0	2,310,000	0	2,310,000
Operating transfers in from other funds	0	0	0	147,219	147,219
Operating transfers out:					
Transfers to other funds	(147,219)	0	0	0	(147,219)
Transfers to other governmental units	(132,054)	0	0	0	(132,054)
Total other financing sources (uses)	(279,273)	0	2,310,000	147,219	2,177,946
Net change in fund balance	(547,370)	316,454	17,189	(9,676)	(223,403)
Fund balance - beginning of year	994,424	1,029,031	0	404,176	2,427,631
Fund balance - end of year	\$ 447,054	\$ 1,345,485	\$ 17,189	\$ 394,500	\$ 2,204,228

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balance - total governmental funds	\$ (223,403)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Amortization expense	(14,160)
Depreciation expense	(395,884)
Bond issuance costs	118,189
Contributed fixed assets	23,000
Capital outlay	2,322,993
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the statement of net assets:	
Repayment of bonds	865,000
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from bonds issued.	(2,310,000)
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(22,581)
Repayment of loans are an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	36,476
Early retirement incentives are recorded in the statement of activities when incurred; they are not reported in the governmental funds until paid	111,834
Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	62,413
Change in net assets of governmental activities	\$ 573,877

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

	Agency Funds	Private Purpose Trusts
<u>ASSETS</u>		
Cash and investments	<u>\$ 85,210</u>	<u>\$ 21,290</u>
<u>LIABILITIES</u>		
Due to student groups	<u>\$ 85,210</u>	<u>\$ 0</u>
<u>NET ASSETS</u>		
Held in Trust for scholarships		<u>\$ 21,290</u>

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

	<u>Private Purpose Trusts</u>
<u>Additions</u>	
Contributions and investment income	\$ 4,436
<u>Deductions</u>	
Scholarships to students	<u>1,000</u>
Change in net assets	3,436
Net assets - beginning of year	<u>17,854</u>
Net assets - ending of year	<u><u>\$ 21,290</u></u>

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Beaverton Rural Schools (the “School District”) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District’s government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statement.

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Debt Service Fund (1996 Issue) - The Debt Service Fund for the 1996 issue is used to record and keep separate activities relating to this debt issue.

2007 Capital Project Fund - The 2007 Capital Project Fund is used to record the activity associated with the 2007 Energy Bonds.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements. Bond issuance costs are reflected only in the district-wide financial statements and is being amortized over a twelve to fifteen year period. Accumulated amortization at June 30, 2008, is \$49,788.

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10-45 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Taxes - For Beaverton Rural Schools taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid - For the fiscal year ended June 30, 2008, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average pupil membership counts taken in February and September of 2007.

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2007 – August 2008. The local revenue is recognized as outlined in Note 1 Basis of Accounting. Amounts receivable from the State of Michigan at June 30, 2008 (included in due/from other governmental units) relating to state aid is \$1,515,184.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Beaverton Rural Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 2 – BUDGETS (CONTINUED)

During the year ended June 30, 2008, the School District recognized revenues in certain budgetary funds which were under the amounts estimated to be earned as follows:

<u>Fund/Function</u>	<u>Estimated Collections</u>	<u>Revenues</u>	<u>Variance</u>
General Fund:			
Local sources	\$ 2,609,820	\$ 2,582,848	\$ (26,972)
Federal sources	637,393	633,743	(3,650)

During the year ended June 30, 2008, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Added needs	\$ 2,025,953	\$ 2,026,795	\$ (842)
Instructional staff	173,642	188,210	(14,568)
General administration	355,078	368,624	(13,546)
School administration	687,280	693,334	(6,054)
Transportation	792,962	794,389	(1,427)
Community services	12,618	14,703	(2,085)

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 2,534,892</u>	<u>\$ 106,500</u>	<u>\$ 2,641,392</u>

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 895,776
Investments in interlocal agreement investment pools (i.e. MILAF) with a weighted average maturity not to exceed 60 days	1,745,366
Petty cash and cash on hand	<u>250</u>
Total	<u>\$ 2,641,392</u>

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the School District's investment in the investment pool was rated AAAm by Standard & Poor's.

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, \$827,342 of the School District's bank balance of \$1,091,374 was exposed to custodial credit risk because it was uninsured and collateralized.

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 4 – CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated - land	\$ 111,616	\$ 0	\$ 0	\$ 111,616
Capital assets being depreciated:				
Buildings and improvements	13,494,041	2,188,280	0	15,682,321
Buses and other equipment	1,373,717	117,500	0	1,491,217
Furniture and equipment	982,096	40,213	0	1,022,309
Subtotal	15,849,854	2,345,993	0	18,195,847
Accumulated depreciation:				
Buildings and improvements	4,566,768	300,580	0	6,755,048
Buses and other equipment	1,090,711	85,160	0	1,208,211
Furniture and equipment	920,881	10,144	0	961,094
Subtotal	6,578,360	395,884	0	6,974,244
Net capital assets being depreciated	9,271,494	1,950,109	0	11,221,603
Net capital assets	\$ 9,383,110	\$ 1,950,109	\$ 0	\$ 11,333,219

Depreciation for fiscal year ended June 30, 2008 amounted to \$395,884. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 – SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District's cash flow obligation to operating expenses precede the collection of state aid.

	Beginning Balance	Issued	Redeemed	Ending Balance
State Aid Anticipation Note due February 23, 2009, accruing interest at 2.79%.	\$ 0	\$ 800,000	\$ 0	\$ 800,000

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of inter-fund receivable and payable balances at June 30, 2008 and transfers made during the year ended June 30, 2008 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 6,965	\$ 0	\$ 147,219
Special Revenue:				
Athletics	0	0	147,219	0
Debt	<u>6,965</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 6,965</u>	<u>\$ 6,965</u>	<u>\$ 147,219</u>	<u>\$ 147,219</u>

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems and (3) payments between funds are made.

Transfers are used to supplement athletic operational costs.

NOTE 7 – LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2008</u>	<u>Amount Due Within One Year</u>
Bonds	\$ 7,878,579	\$ 2,310,000	\$ 865,000	\$ 9,323,579	\$ 1,319,748
Mortgage	80,000	0	20,000	60,000	20,000
Capital lease	64,134	0	16,476	47,658	44,381
Compensated absences	271,285	0	62,413	208,872	0
Early retirement incentives	<u>237,167</u>	<u>0</u>	<u>111,834</u>	<u>125,333</u>	<u>77,667</u>
Total	<u>\$ 8,531,165</u>	<u>\$ 2,310,000</u>	<u>\$ 1,075,723</u>	<u>\$ 9,765,442</u>	<u>\$ 1,461,796</u>

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Bonds payable at June 30, 2008 is comprised of the following issues:

\$7,800,000 General Obligation Refunding due in annual installments of \$60,000 to \$935,000 through May 1, 2015, interest at 2.00% to 3.25%	\$ 6,335,000
---	--------------

\$200,824 Durant Non-Plaintiff serial bonds due in annual installments of \$9,721 to \$46,938 through May 15, 2013, interest at 4.76%	118,579
---	---------

\$250,000 QZAB bonds due in one installment on May 1, 2009, interest at 0%	250,000
---	---------

\$660,000 Energy Conservation bonds due in annual installments of \$80,000 to \$105,000 through November 1, 2012, interest at 1.70% to 3.20%	310,000
--	---------

\$2,310,000 Energy Conservation and building improvements bonds due in annual installements of \$138,571 to \$170,450 through October 25, 2022, interest at 1.49%	<u>2,310,000</u>
--	------------------

Total Bonded Debt	<u><u>\$ 9,323,579</u></u>
-------------------	----------------------------

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described in the preceding paragraph.

Beaverton Rural Schools entered into a real estate mortgage on May 15, 2001 in the amount of \$198,500 at an interest rate of 5.20% for ten years. Payments are due on the 1st of May for \$20,000 plus interest. The real estate mortgage was used to purchase property at 468 S. Ross Street, Beaverton, Michigan.

The School District has entered into a long-term lease agreements for two buses and a postage machine. Depreciation of these buses and the postage machine is included in depreciation expense. The following is a schedule by years of future minimum lease payments under capital leases as of June 30, 2008:

2009	\$ 47,502
2010	2,208
2011	2,025
	<hr/> 51,735
Amount representing interest	4,077
	<hr/>
	<u><u>\$ 47,658</u></u>

Under the terms of the present contracts between the Board of Education of Beaverton Rural Schools and the various employee groups, including teachers, administration, custodians, bus drivers and extra support personnel, the School District is contingently liable for compensated absences (sick pay). The amount of compensated absences, calculated based on number of years of service, amounted to \$208,872 at June 30, 2008.

The School District has entered into an early retirement incentive program. For each eligible and participating employee, the School District will make a non-elective contribution to an established 403(b) plan for a period of either one or three years in an amount not to exceed \$30,000 for instructors and a one time payment to support staff of \$2,500. At June 30, 2008, the amount outstanding was \$125,333.

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The School District defeased the outstanding debt list below by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on the callable portions of the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements.

	As of June 30, 2008 the amount of debt <u>considered defeased</u>
Serial bond issue, 1997	<u>\$ 7,910,000</u>

The annual requirements to amortize bonds, mortgages and capital leases outstanding as of June 30, 2008 including interest payments are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 1,384,129	\$ 238,994	\$ 1,623,123
2010	1,153,843	210,299	1,364,142
2011	1,138,892	202,510	1,341,402
2012	1,192,707	147,414	1,340,121
2013	1,095,477	114,973	1,210,450
2014-2018	2,638,599	186,579	2,825,177
2019-2023	<u>827,590</u>	<u>37,358</u>	<u>864,947</u>
	<u>\$ 9,431,237</u>	<u>\$ 1,138,127</u>	<u>\$ 10,569,362</u>

NOTE 8 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

BEAVERTON RURAL SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 9 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74% for the period from July 1, 2007 through September 30, 2007 and 16.72% from October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were \$1,155,518 , \$1,225,505 and \$1,140,376, respectively.

Postemployment Benefits – Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these benefits contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage. Required contributions for post employment health care benefits are included as part of the School District's total contribution to the MPERS plan discussed above.

NOTE 10 – GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 11 – ECONOMIC DEPENDENCY

The School District received approximately 72% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

BEAVERTON RURAL SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources	\$ 2,612,712	\$ 2,609,820	\$ 2,582,848
State sources	7,927,882	8,380,661	8,413,920
Federal sources	614,313	637,393	633,743
Total revenues	<u>11,154,907</u>	<u>11,627,874</u>	<u>11,630,511</u>
<u>Expenditures</u>			
Instruction:			
Basic programs	5,393,557	5,509,007	5,475,845
Added needs	2,040,618	2,025,953	2,026,795
Adult and continuing education	261,917	294,913	282,200
Support services:			
Pupil	352,680	312,660	312,628
Instructional staff	171,703	173,642	188,210
General administration	341,246	355,078	368,624
School administration	636,586	687,280	693,334
Business services	518,722	423,611	422,994
Operations and maintenance	1,245,834	1,206,633	1,165,756
Transportation	727,435	792,962	794,389
Community services	6,450	12,618	14,703
Debt service	144,564	167,514	153,130
Total expenditures	<u>11,841,312</u>	<u>11,961,871</u>	<u>11,898,608</u>
Excess (deficiency) of revenues over expenditures	<u>(686,405)</u>	<u>(333,997)</u>	<u>(268,097)</u>
<u>Other Financing (Uses)</u>			
Operating transfers out:			
Transfers to other funds	(201,287)	(147,222)	(147,219)
Transfers to other governmental units	(134,500)	(132,054)	(132,054)
Total other financing (uses)	<u>(335,787)</u>	<u>(279,276)</u>	<u>(279,273)</u>
Net change in fund balance	(1,022,192)	(613,273)	(547,370)
Fund balance - beginning of year	1,276,502	994,424	994,424
Fund balance - end of year	<u>\$ 254,310</u>	<u>\$ 381,151</u>	<u>\$ 447,054</u>

BEAVERTON RURAL SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue Funds</u>		Debt <u>Service Fund</u>		
	<u>Athletic Activities</u>	<u>Food Services</u>	<u>QZAB Issue</u>	<u>Durant Issue</u>	<u>Total</u>
<u>Assets</u>					
Cash and investments	\$ 18,583	\$ 132,435	\$ 232,907	\$ 0	\$ 383,925
Inventories	0	10,575	0	0	10,575
Total Assets	<u>\$ 18,583</u>	<u>\$ 143,010</u>	<u>\$ 232,907</u>	<u>\$ 0</u>	<u>\$ 394,500</u>
<u>Fund Balance</u>					
<u>Fund Balance</u>					
Reserved for inventories	\$ 0	\$ 10,575	\$ 0	\$ 0	\$ 10,575
Reserved for debt service	0	0	232,907	0	232,907
Unreserved - Undesignated	18,583	132,435	0	0	151,018
Total Fund Balance	<u>\$ 18,583</u>	<u>\$ 143,010</u>	<u>\$ 232,907</u>	<u>\$ 0</u>	<u>\$ 394,500</u>

BEAVERTON RURAL SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds		Debt Service Funds		
	Athletic Activities	Food Services	QZAB Issue	Durant Issue	Total
<u>Revenues</u>					
Local	\$ 49,163	\$ 200,797	\$ 7,558	\$ 0	\$ 257,518
State	0	31,923	0	0	31,923
Federal	0	290,586	0	0	290,586
Total revenues	<u>49,163</u>	<u>523,306</u>	<u>7,558</u>	<u>0</u>	<u>580,027</u>
<u>Expenditures</u>					
Current:					
Food services	0	535,245	0	0	535,245
Athletics	<u>201,677</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>201,677</u>
Total expenditures	<u>201,677</u>	<u>535,245</u>	<u>0</u>	<u>0</u>	<u>736,922</u>
Excess (deficiency) of revenues over expenditures	(152,514)	(11,939)	7,558	0	(156,895)
<u>Other Financing Sources</u>					
Operating transfers in from other funds	<u>147,219</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>147,219</u>
Net change in fund balance	(5,295)	(11,939)	7,558	0	(9,676)
Fund balance - beginning of year	<u>23,878</u>	<u>154,949</u>	<u>225,349</u>	<u>0</u>	<u>404,176</u>
Fund balance - end of year	<u>\$ 18,583</u>	<u>\$ 143,010</u>	<u>\$ 232,907</u>	<u>\$ 0</u>	<u>\$ 394,500</u>

BEAVERTON RURAL SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness
For the Year Ended June 30, 2008

PURPOSE The bonds were issued to refund the 1996 general obligation bonds, which were for the purpose of erecting, furnishing and equipping a new high school; erecting, furnishing and equipping additions to two existing school buildings, acquiring and installing educational technology for the high school; and developing and improving sites.

DATE OF ISSUE June 12, 2003

AMOUNT OF ISSUE \$7,800,000

AMOUNT OF RETIRED

During prior years	\$ 695,000	
During current year	<u>770,000</u>	<u>1,465,000</u>

<u>BALANCE OUTSTANDING - June 30, 2008</u>	<u><u>\$6,335,000</u></u>
--	---------------------------

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	2.35%	\$ 820,000	\$ 184,945	\$ 1,004,945
2010	2.70%	875,000	165,675	1,040,675
2011	2.85%	905,000	142,050	1,047,050
2012	3.00%	930,000	116,257	1,046,257
2013	3.05%	935,000	88,357	1,023,357
2014	3.15%	935,000	59,840	994,840
2015	3.25%	<u>935,000</u>	<u>30,387</u>	<u>965,387</u>
		<u><u>\$ 6,335,000</u></u>	<u><u>\$ 787,511</u></u>	<u><u>\$ 7,122,511</u></u>

BEAVERTON RURAL SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness
For the Year Ended June 30, 2008

PURPOSE Remodeling school buildings and improving sites.

DATE OF ISSUE November 24, 1998

AMOUNT OF ISSUE \$ 200,824

<u>AMOUNT OF RETIRED</u>			
	During prior years	\$ 82,245	
	During current year	<u>0</u>	<u>82,245</u>

<u>BALANCE OUTSTANDING - June 30, 2008</u>		<u>\$ 118,579</u>
--	--	-------------------

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	4.76%	\$ 11,177	\$ 2,926	\$ 14,103
2010	4.76%	11,708	2,394	14,102
2011	4.76%	69,385	25,368	94,753
2012	4.76%	12,849	1,253	14,102
2013	4.76%	<u>13,460</u>	<u>641</u>	<u>14,101</u>
		<u>\$ 118,579</u>	<u>\$ 32,582</u>	<u>\$ 151,161</u>

PURPOSE The QZAB bonds were issued for the purpose of purchasing buses and replacing lockers for the schools.

<u>AMOUNT OF ISSUE</u>	\$ 250,000
------------------------	------------

During prior years	\$	0	
During current year		0	0

<u>BALANCE OUTSTANDING - June 30, 2008</u>	\$ 250,000
--	------------

-30-

BEAVERTON RURAL SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness
For the Year Ended June 30, 2008

PURPOSE

The Energy Bonds were issued for the purpose of constructing energy conservation improvements to school facilities.

DATE OF ISSUE

June 7, 2004

AMOUNT OF ISSUE

\$ 660,000

AMOUNT OF RETIRED

During prior years

\$ 255,000

During current year

95,000

350,000

BALANCE OUTSTANDING - June 30, 2008

\$ 310,000

Fiscal Year	Interest Rate	Requirements		
		Principal	Interest	Total
2009	2.95%	\$ 100,000	\$ 10,462	\$ 110,462
2010	3.10%	105,000	7,088	112,088
2011	3.20%	0	3,544	3,544
2012	3.20%	105,000	1,772	106,772
		<u>\$ 310,000</u>	<u>\$ 22,866</u>	<u>\$ 332,866</u>

BEAVERTON RURAL SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness
For the Year Ended June 30, 2008

PURPOSE

The Energy Bonds were issued for the purpose of constructing energy conservation improvements to school facilities.

DATE OF ISSUE

October 8, 2007

AMOUNT OF ISSUE

\$ 2,310,000

AMOUNT OF RETIRED

During prior years

\$ 0

During current year

0

0

BALANCE OUTSTANDING - June 30, 2008

\$ 2,310,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	1.49%	\$ 138,571	\$ 34,419	\$ 172,990
2010	1.49%	140,635	32,354	172,989
2011	1.49%	142,731	30,259	172,990
2012	1.49%	144,858	28,132	172,990
2013	1.49%	147,016	25,974	172,990
2014	1.49%	149,207	23,783	172,990
2015	1.49%	151,430	21,560	172,990
2016	1.49%	153,686	19,304	172,990
2017	1.49%	155,976	17,014	172,990
2018	1.49%	158,300	14,690	172,990
2019	1.49%	160,659	12,331	172,990
2020	1.49%	163,052	9,937	172,989
2021	1.49%	165,482	7,508	172,990
2022	1.49%	167,948	5,042	172,990
2023	1.49%	170,449	2,540	172,989
		<u>\$ 2,310,000</u>	<u>\$ 284,847</u>	<u>\$ 2,594,847</u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENAE M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

September 19, 2008

WALTER G. WEINLANDER, CPA
ROY A. SCHAIRER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Beaverton Rural Schools
Beaverton, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beaverton Rural Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beaverton Rural Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beaverton Rural Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Beaverton Rural Schools' internal control over financial reporting.

Our consideration on internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood

601 BEECH STREET
POST OFFICE BOX 297
CLARE, MI 48617
989-386-3481
FAX 989-386-3462
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

Board of Education
Beaverton Rural Schools
September 19, 2008

that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control over financial reporting. We consider the deficiency described in 2008-1 in the accompanying schedule of findings and questioned cost to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the Beaverton Rural Schools' internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaverton Rural Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses items.

Beaverton Rural Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit Beaverton Rural Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENAE M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIRER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

September 19, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Beaverton Rural Schools
Beaverton, Michigan

Compliance

We have audited the compliance of Beaverton Rural Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Beaverton Rural Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Beaverton Rural Schools' management. Our responsibility is to express an opinion on Beaverton Rural Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Beaverton Rural Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Beaverton Rural Schools' compliance with those requirements.

In our opinion, Beaverton Rural Schools' complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

601 BEECH STREET
POST OFFICE BOX 297
CLARE, MI 48617
989-386-3481
FAX 989-386-3462
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

Board of Education
Beaverton Rural Schools
September 19, 2008

Internal Control over Compliance

The management of Beaverton Rural Schools' is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Beaverton Rural Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Beaverton Rural Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was not for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Beaverton Rural Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit Beaverton Rural Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BEAVERTON RURAL SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiencies identified not considered to be material weaknesses? ☒ YES ☐ NO

Noncompliance material to financial statements noted? ☐ YES ☒ NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiencies identified not considered to be material weaknesses? ☐ YES ☒ NO

Type of auditor's report issued on compliance of major programs: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? ☒ YES ☐ NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.367	Title II, Part A

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ YES ☐ NO

BEAVERTON RURAL SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION II - Financial Statement Findings

2008-1

Criteria or Specific Requirement

Establishment and maintenance of internal controls over the financial reporting process.

Condition

Personnel responsible for financial reporting do not possess the skills necessary to monitor and report annual financial activity without auditor involvement.

Criteria

Internal controls should be in place to provide reasonable assurance to the School District that management possesses the skills necessary to monitor and report annual financial activity without auditor involvement.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the School District's internal controls over financial reporting.

Recommendation

The School District should review and implement the necessary education and procedural activities to monitor and report annual financial activity

Views of the Responsible Officials and Planned Corrective Action

As a result of the state of educational funding, the School District has not allocated resources to fund this process. We intend to re-evaluate once funding becomes available for the additional education and monitoring.

BEAVERTON RURAL SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION III - Federal Award Findings and Questioned Costs

2008-2

Program

Title II, Part A – CFDA Number 84.367

Criteria

Semi-annual certification documentation of employees that work solely on a single federal award as required by Circular A-87.

Condition

Lack of semi-annual certification documentation.

Questioned costs

Payroll and payroll related expenses for Title II, Part A.

Context

Applicable to employees that work solely on a single federal award.

Effect

Lack of required documentation

Cause

Lack of information on current Title II, Part A requirements

Recommendation

Begin semi-annual certification documentation on employees that work solely on a single federal award as required by Circular A-87

Views of responsible officials and planned corrective actions

Management will begin the semi-annual certification for employees that work solely on a single federal award at the beginning of the 2008-09 school year.

.

BEAVERTON RURAL SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Michigan Department of Education:			
ECIA Title I - Project 81530-0708	84.010	\$ 481,281	<u>\$ 0</u>
Drug-Free Schools and Communities - State Grants Project 82860-0708	84.186	9,934	<u>0</u>
ECIA Flow Through Title V Project 80250-0708	84.298	2,917	<u>0</u>
Technology Literacy Challenge Project 74290-0607	84.318	4,738	2,555
Project 84290-0607	84.318	6,601	<u>0</u>
			<u>2,555</u>
Improving Teacher Quality Project 72860-0607	84.367	133,413	133,413
Project 82860-0708	84.367	136,660	<u>0</u>
			<u>133,413</u>
Total U.S. Department of Education			<u>135,968</u>
<u>U.S. Department of Agriculture</u>			
Passed through Michigan Department of Education:			
Nutrition Cluster			
Breakfast	10.553	55,100	0
Sec. 4 and 11 - Free and Reduced	10.555	200,104	0
Summer Food	10.559	10,255	0
Food Distribution Entitlement Commodities	10.550	25,127	<u>0</u>
Total U.S. Department of Agriculture			<u>0</u>
Grand Total			<u><u>\$ 135,968</u></u>

See accompanying notes to financial statements

Accrued (Deferred) Revenue <u>July 1, 2007</u>	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue <u>June 30, 2008</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 481,281</u>	<u>\$ 481,281</u>	<u>\$ 0</u>
<u>0</u>	<u>0</u>	<u>8,662</u>	<u>8,662</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>2,917</u>	<u>2,917</u>	<u>0</u>
0	0	(1)	(1)	0
<u>0</u>	<u>0</u>	<u>6,601</u>	<u>6,601</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>6,600</u>	<u>6,600</u>	<u>0</u>
0	(2,377)	(2,377)	(2,377)	0
<u>0</u>	<u>0</u>	<u>136,660</u>	<u>136,660</u>	<u>0</u>
<u>0</u>	<u>(2,377)</u>	<u>134,283</u>	<u>134,283</u>	<u>0</u>
<u>0</u>	<u>(2,377)</u>	<u>633,743</u>	<u>633,743</u>	<u>0</u>
0	0	55,100	55,100	0
0	0	200,104	200,104	0
0	0	10,255	10,255	0
<u>0</u>	<u>0</u>	<u>25,127</u>	<u>25,127</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>290,586</u>	<u>290,586</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ (2,377)</u>	<u>\$ 924,329</u>	<u>\$ 924,329</u>	<u>\$ 0</u>

BEAVERTON RURAL SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

NOTE 1 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Beaverton Rural Schools and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

NOTE 2 – OTHER DISCLOSURES

Management has utilized the Grants Section Auditors Report (Form R7120) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 3 – ADJUSTMENTS

Grant project number 72860-0607 was reduced by \$2,377. Grant project number 82860-0708 included the carry-over amount.



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENAE M. CLEVENGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

September 19, 2008

WALTER G. WEINLANDER, CPA
ROY A. SCHAIERER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

To the Board of Education
Beaverton Rural Schools
Beaverton, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Beaverton Rural Schools for the year ended June 30, 2008, and have issued our report thereon dated September 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 9, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Beaverton Rural Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Beaverton Rural Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Beaverton Rural Schools' compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Beaverton Rural Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Beaverton Rural Schools' compliance with those requirements.

601 BEECH STREET
POST OFFICE BOX 297
CLARE, MI 48617
989-386-3481
FAX 989-386-3462
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,
GLADWIN AND WEST BRANCH

RSM! McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

To the Board of Education
Beaverton Rural Schools
September 19, 2008
Page 2

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on June 9, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Beaverton Rural Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation is based on estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the estimated useful life of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



WEINLANDER FITZHUGH

To the Board of Education
Beaverton Rural Schools
September 19, 2008
Page 3

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than the specified parties.

Weinlander Fitzhugh